

TAX FACTS

Published in
the interest of

SOUND ECONOMICS
and

AMERICAN IDEALS

Vol. X

Los Angeles, California, May, 1931

No. 1

Privilege or Democracy

By R. E. CHADWICK

Prosperity is the natural order—the inevitable result of free competition with equal opportunity. Poverty, unemployment, and economic depressions are the direct result of the denial of opportunity. Equality of opportunity is the only true foundation of individual liberty and national security.

So long as there are idle men with primary needs for food, clothing and shelter unsatisfied, there can be no social security. When men, willing to work, are forced to starve or accept alms, in a world adequately equipped to supply their every material want as a reward of toil, revolution becomes more than a possibility.

Why should enforced idleness bring society to the verge of disaster? Have we so exhausted the resources of this earth that our labor fails to provide us with sufficient food, clothing and shelter?

As a matter of fact there has never been a time in human history when production reached the high peak it has today. We have never made so intensive and intelligent a use of natural resources. We produce more wealth with less effort than at any time in history. Our economic difficulties are not due to the failure of nature or of productive processes. It is our system of distribution that is at fault. As a result of the breaking down of the machinery of distribution, the world faces a crisis.

Two forces—each striving for mastery—seek to control the destiny of men and of our country. The one, a potent and powerful privileged few, would direct and control for private gain; the other, fired with almost holy zeal, would attempt to direct the lives of men in what they conceive to be their interest and for their common good. Between these not by any means irreconcilable

forces the American system, that would organize society upon democratic terms, bids fair to be destroyed. To save ourselves from some form of dictatorship—of privilege or proletariat, we must make the economic faith of the Fathers of the Republic, facts in the lives of our people.

The grant of the first privilege, the first denial of equal opportunity, laid the foundation for all the economic ills that followed. By special privilege is meant the exclusive control of service or commodity that makes possible the fixing of its price above that which it would command under free competition. When the first man, by reason of an exclusive right, was enabled by virtue thereof to exact more than he gave, natural economic processes were thrown out of balance, and living by privilege rather than by service became possible.

The diversion of social earnings into private pockets through land monopoly is the father of all privileges. The rent of the land is a social product. It belongs by right, and by virtue of a common need, to the people and it is the duty of government to collect it in lieu of taxes.

Free competition is the key to progress, and is impossible so long as any enjoy a special privilege. We have become enmeshed in a web of privilege and are so restricted and hindered in our efforts to live a life, make a living and serve our fellows that industry has reached an impasse.

All too many would further bind society with more laws limiting the natural processes by which services are interchanged. This leads to dictatorship. It does not matter what the declared purpose of those who would control economic processes may be, whether in the interests of all or of a few, it is destructive of liberty and democracy. The control of economic processes

makes impossible the voluntary association of men upon equal terms with relation to nature and to their institutions. Democracy and the free competitive system have never had a chance to function. They are and remain the American ideal. It should be the plan and purpose of all truly patriotic men and women to make both a fact in human experience.

Men should be so free from want, or fear of want, that they might give or withhold goods or services as seemed best to them. Every threat to liberty, every interest antagonistic to the common welfare, every institutional injustice is founded upon a special privilege. The powers that make for progress under free conditions, become instruments of oppression and exploitation under special privilege. The more efficient industry becomes, in a field of restricted opportunity, the more there will be of poverty and unemployment.

Privilege was never more powerful, never so intelligently directed, or more open to successful attack than today. The instruments of democracy are in our hands. We can change our laws or institutions in any respect or in all respects. By legal and constitutional methods we can make equal opportunity a fact. We have the power, under law and sanctioned by courts and constitutions, to correct the evils we suffer. We can do this without surrendering the control of ourselves or our institutions to the beneficiaries of special privilege or to fanatical zealots who would build a completely regimented order of society in which the individual would be only a cog in a machine. Justice is the natural law. To doubt that is to cast one's lot with Chaos, deny the evidence of one's own soul and believe that there is neither order, reason, harmony nor purpose in the universe.

Our rights, duties and obligations with relation to nature and to our institutions are equal and reciprocal in fact or there is a divine right of kings, and men were destined to servitude from the beginning.

Life, liberty and a shared and lasting prosperity are the sure reward of democracy and a free competitive system. Poverty, injustice, servitude, in fact if not in form, are the certain fruit of privilege. Communism and all its connotes of planned control of the terms and conditions upon which life may be lived is a threat to liberty as subtle and sinister as privilege.

Our duty and solemn obligation is to abolish special privilege, restore freedom of competition and equality of opportunity. If we fail in that task, the world will continue to witness recurring disasters—war, pestilence and dying civilizations until fate writes "Finis" to the last chapter of human experience.

THE ENGLISH SITUATION

By DAVID WOODHEAD

For over a thousand years the people of Britain have been progressing slowly but surely towards political and economic freedom.

The action of the labor government last month, under the inspiration of Chancellor Philip Snowden, in attacking the most venerated of all the citidals of privilege in England—landlordism—entitles it to a place in history no matter how colorless its other accomplishments may be.

The urban lands of England are still taxed on the basis of an agricultural appraisal made by the landlords themselves in the days of good Queen Bess, with the result that some of the most valuable land in the world, assessed as low as a shilling per acre, is paying practically no share of the cost of government, except as a portion of it is reached through the income tax. And so the budget proposal to appraise the lands and then tax them on the capital value at the rate of a penny in the pound, is almost revolutionary, not because of the amount of the tax, which is ridiculously small—less than $\frac{1}{2}$ of one per cent, but because it is the entering wedge of a new principle of taxation for Britain. The wholly false but commonly accepted theory of "ability to pay" has been the basis of all budget heretofore, (except the abortive attempt by Lloyd George to tax increases in value as shown by sales, and which was abandoned for the sake of harmony during the war), and little or no claim has ever been made that taxation could be more justly and scientifically levied on the principle of "according to benefits received", so that the language of Mr. Snowden in introducing his proposals is worthy of special note.

"The scandal" he said "of private appropriation of land values created by the enterprise and industry of the people and by the expenditure of public money has been tolerated too long . . . The present system stands in the way of social and economic progress. It inflicts crushing burdens on industry and hinders municipal development. When we have carried this measure, we shall look back upon the budget of this year as a landmark of social and economic progress and as one further step towards the emancipation of the people from the injustice and tyranny of private land monopoly." Making it clear by such language that in taxing land values he was not simply finding another goose which would deliver feathers with a minimum of squaks, but that he clearly understood the difference between the values publicly created, and which to tax simply giving to Caesar that which properly belongs to Caesar, and values created by the labor of the individual, which wise public policy de-

mands should be exempted from taxation as far as possible.

In the United States we have for a hundred years been taxing land values, and to the small extent that we have done so, have relieved labor and capital from a portion of its burdens, and so wholly satisfactory has been the effect of this taxation that no-one but a very few would tolerate the thought of exempting land, and it is claimed by many economists that the better conditions of the American worker so far as higher wage scale and greater purchasing power over his European brother are concerned, can be largely attributed to the joint effect of free unrestricted trade over and within the forty eight states and the partial tendency to force land to its best use as a result of our beginnings in the policy of taxing land values.

We hope the day is not distant when some American Snowden, with the statesmanship of a Wilson or a Jefferson and the eloquence and persuasion of a Savonarola will arouse our people to the emancipation of industry, by relieving it of taxation altogether and placing the whole burden on community created wealth and all forms of legally created privilege.

And may Snowden's small beginning soon result in Britain advancing along the road so clearly defined, until it can claim to have been the first country to remove all obstacles to trade, tariffs at its boundries and taxes upon its industry.

SIMPLE ARITHMETIC

Mr. J. H. Dillard, Pres. of the Jeanes Foundation and the Slater Fund, writes of an experience in Alabama.

"Late in the evening about six miles from Selma our gasoline gave out, and while waiting for supplies I had a good talk with an intelligent colored man whose car had kindly been put at our service to bring us relief. I enjoyed a lesson in economics. This man paid \$4 rent per acre for 75 acres of land. I found out that this land was assessed for taxation at \$6 an acre and that the actual tax paid by the owner was 14 cents an acre. I heard that the land was thought to be worth something like \$100 per acre. This instance touches what is, I have long believed, by far the most important economic problem in the South, and of course it is not confined to the South."

It is interesting to note the discrepancy between the supposed value of the land, what it is actually bringing the owner in annual rent, what it is worth on the assessor's book and the tax that is actually paid. It is just a matter of simple arithmetic—very simple.

A SAFE GUIDE BOOK

WHAT'S WRONG WITH TAXATION, by Jackson H. Ralston. Published by the Ingram Institute, San Diego, California. Price \$1.25.

As Mr. Ralston says in his opening sentence, he has set himself the task of "bringing to light the true relations between the state and taxation," and he proceeds to show how the principles of taxation are based on natural laws. This is a book that is different. Its 200 pages treat of taxation and its related subjects of business in all economic and sociological aspects without wasting the readers time on the various things that are not so. It has become the fashion nowadays to jumble facts and fancies, higgledy-piggledy, so that one seeking information gives up in disgust.

Mr. Ralston analyses our taxation through its various forms and considers it from the point of view of the farmer, the laborer, the manufacturer, the miner, the tradesman, and the lot owner. He does it without "weasle" words, words having one meaning in one place and another in another, as do so many who speak learnedly on this simple subject.

His conclusion is that our error lies in taxing the wrong things. We tax industry and add to its cost; while we untax speculation and enrich speculators at the expense of the workers. Mr. Ralston devotes one chapter to the progress in scientific taxation that has already been made in different communities and countries, and in his final chapter discusses some special problems such as how to deal with mineral and forest lands, with transportation, power and light and other forms of special privilege.

Mr. Ralston's book explains clearly and concisely just what is wrong with taxation and should prove a distinct help in clearing up some present day problems.

Everything we have is taxed—even our credulity and patience.—*Florence Herald*.

Dorothy Dix says ladies weep less now. My gosh! What is there left to cry for?—*Pasadena Post*.

Stalin says tyranny made him a radical. Did radicalism make him a tyrant?—*Springfield Republican*.

The wise man and the fool seem much alike when they fall in love or try to explain hard times.—*Boston Post*.

Alimony is a system by which, when two people make a mistake, one of them continues to pay for it.—*American Lumberman*.

How can a gangster be decent when he must do business with the kind of prominent citizens who would do business with a gangster?—*Lancaster New Era*.

Hindu philosopher refuses to marry because it might interfere with his work. More than that, it might interfere with his philosophy.—*New York American*.

TAX FACTS

Published Monthly

By The Tax Relief Association of California
412 American Bank Building, Los Angeles, Calif.

Phone: Tucker 2417

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Subscription per year 50 cents

Vol. X Los Angeles, Cal., May, 1931 No. 1

WHAT CAUSES A BUSINESS DEPRESSION?

Many people are finding consolation in the fact that this country has suffered and recovered from business depressions before. Every depression that we have ever had has been caused by exactly the same thing and has been cured in exactly the same way. Every business slump has been preceded by real estate booms with their accompaniment of high rentals. During the period of prosperity, rents went up and up, and unthinking people considered this a cause of prosperity, or at least an essential part of it.

This is really what happened. Every time a merchant sold a kitchen stove or an umbrella, the price he received represented three things: interest on the money he had invested in his merchandise and the equipment to handle it; wages for the labor he expended in handling the business; and rent. This last item must be deducted from his accounts whether he owns the land he occupies or not, for if he owns it, it represents that much of his money that might have been drawing interest in some productive industry.

As rents go up, this third item in the price he receives for his goods grows larger and larger, leaving that much less for the other two, interest and wages. He can not increase the price of his goods for that is fixed by supply and demand. Rent must be taken out of it, not added to it. Here and there a business man finds that this item has grown so large and left so little for wages and interest that he cannot go on. Of course, he doesn't analyse his trouble this way. If he did, he would know what makes business depressions. All he knows is that he isn't making a "profit". He suspends business. That means less call for goods from the factories. They slow down production. Men are thrown out of work. There is less money for purchasing goods and prices begin to fall. This leaves the merchant in a worse fix than ever, it was all he could do to pay his rent before.

The simple fact is that business has reached

a point where it cannot pay these high rentals and make a profit. One business man after another finds the strain too great and gives up the struggle, creating more unemployment and giving added impetus to the downward trend of business. People begin to economize. They move into smaller quarters, families "double up". At last so many vacancies in buildings are created that landlords are forced through competition to reduce their rents. Some lot owners bury their dreams of unearned wealth and sell their land for what it will bring. This encourages building again, and new buildings are added to the old vacant ones, making it necessary to reduce rents still further. "Also making conditions that much worse," says the unthinking one. Not a bit of it.

There is only one place that rent can come from, and that is out of production. The less that has to be taken out of business and manufacturing to pay rent, the more there is left for wages and interest. If any power on earth could bring a sharp decline in real estate values and rentals when prosperity is coming instead of going, it would never go. There is such a power—the power of taxation. Prices would stay up. Less and less would have to be subtracted from them to pay rent. The higher interest and wage that would result would mean greater buying power in the community and nation, which would create a greater demand for labor.

This is what actually happens when "hard times" have reduced rents to the point where business can function again at a profit, but it never happens until many business men have failed, millions have been thrown out of work, and misery and want have swept the country. Why go through all this agony time and time again as if business depressions were wished on us by some superior power and we had no possible way of helping ourselves.

Those who have studied present conditions say that this depression has lasted longer than any other, that recovery is certain, but it will be much slower. Of course it will be slower. The real estate business is more highly organized than it ever was before in history, and there was never before such concerted effort on the part of land owners and realtors to keep the price of land from coming down, and prosperity cannot come back until it does come down.

If the realtors succeed in having the tax on land decreased, it will make it easier for people to speculate in land instead of using it, and make it much harder for business to recover from the present low ebb, easier for it to slip into the next depression after it has climbed out of this one. As Will Rogers said to King Arthur, "Prosperity is just around the corner, but you ain't going to live to get to the corner."